

Message Text

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ORIGIN EB-11

INFO OCT-01 ISO-00 ABF-01 L-03 RSC-01 SS-20 /037 R

DRAFTED BY EB/ISM:WPOLIK:RDM:LHS

APPROVED BY EB/ORF:JKATZ

EB/ISM:MJDUX

BF/OAG:AJBABIN

L:MBFELDMAN

EB/FTD:MSMITH

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P 171732Z OCT 73

FM SECSTATE WASHDC

TO AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY BONN PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY LUXEMBOURG PRIORITY

AMEMBASSY PARIS PRIORITY

AMEMBASSY ROME PRIORITY

AMEMBASSY THE HAGUE PRIORITY

AMCONSUL DUSSELDORF PRIORITY

AMCONSUL HONG KONG PRIORITY

AMEMBASSY TOKYO PRIORITY

AMEMBASSY SEOUL PRIORITY

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STADIS

E.O. 11652: N/A

TAGS: EIND, ETRD, EGEN, OTRA, AFSP

SUBJECT: GAO INQUIRIES INTO STEEL AND TEXTILE IMPORT
PROGRAMS

REF: STATE 190671

1. DEPT ASST SECY KATZ AND OTHER DEPTOFFS MET OCTOBER 9
WITH ASSISTANT DIRECTOR FERRI OF GAO'S TRADE AND FINANCE
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GROUP AND OTHER GAO AUDITORS TO GO OVER GROUND RULES FOR

GAO ACCESS TO VRA FILES.

2. ON QUESTION OF GAO ACCESS TO POST VRA FILES, KATZ NOTED THAT VIRTUALLY ALL VRA MATERIAL IN POST FILES ALSO AVAILABLE IN DEPT FILES, AND EXPLAINED RATIONALE FOR CENTRALIZING ACCESS TO VRA FILES IN DEPT. IN THIS REGARD, DEPT LEGAL OFFICIALS NOTED VRA LAWSUIT CURRENTLY PENDING BEFORE US COURT OF APPEALS, AND SAID THAT NUMBER OF POINTS RAISED BY GAO WERE AT ISSUE IN LAWSUIT. GAO REPS REPLIED THAT THEY REALIZED SENSITIVITY OF FILE MATERIAL RELEVANT TO LAWSUIT AND SEEMED WILLING NOT TO PURSUE SUCH MATERIALS AT THIS TIME. THEY ALSO STATED THAT DEPARTMENT WOULD HAVE OPPORTUNITY SEE THEIR REPORT IN DRAFT AND COMMENT ON IT. (GAO AUDITORS MENTIONED THEIR HOPES OF HAVING A PRELIMINARY REPORT ABOUT BEGINNING OF NOVEMBER, AND A FINAL REPORT AROUND APRIL-MAY 1974.)

3. GAO REPS INDICATED THAT THEY SOUGHT INFORMATION IN FOLLOWING CATEGORIES:

(A) INFORMATION RELATING TO EFFECT OF VRA ON US STEEL MARKET. AS DEPT HAS NO ANALYSIS OF THIS, THE MOST THAT CAN BE FURNISHED IS DATA RELATING TO STEEL IMPORTS.

(B) INFORMATION ON US ADMINISTRATIVE COSTS OF MONITORING THE AGREEMENTS. KATZ NOTED THAT VRA COSTS MINIMAL BUT DIFFICULT TO ASSESS, BUT DEPT WOULD COOPERATE IN PROVIDING REASONABLE ESTIMATE. POSTS SHOULD AVOID BEING DRAWN INTO NUMBERS GAMES.

(C) GENERAL INFORMATION ON FOREIGN STEEL AND TEXTILE INDUSTRIES, INCLUDING (I) CARTELIZATION AND (II) GOVERNMENT SUBSIDIZATION OF EXPORTS (PREFERENTIAL TREATMENT, TAX EXEMPTIONS ETC). POSTS SHOULD SUPPLY AVAILABLE INFORMATION IF REQUESTED.

4. CONSENSUS OF MEETING WAS THAT EXAMINATION OF FILE MATERIAL WOULD BE CONCENTRATED IN WASHINGTON, WITH OVERSEAS PORTION OF SURVEY DEVOTED LARGELY TO OBTAINING VIEWS LIMITED OFFICIAL USE

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OF FOREIGN GOVERNMENT AND INDUSTRY OFFICIALS CONCERNING STEEL VRA AND TEXTILE IMPORT PROGRAMS. ON QUESTION OF BACKGROUND MATERIAL ON VRA FOR INFORMATION OF OVERSEAS GAO REPS CONDUCTING SURVEY, DEPT OFFS TOLD GAO REPS THAT MOST COMPLETE HISTORY OF AND RATIONALE FOR VRA APPROACH TO STEEL IMPORT PROBLEM CONTAINED IN KATZ AFFIDAVIT FILED WITH US DISTRICT COURT IN CONSUMERS UNION LAWSUIT, COPIES OF WHICH MAY BE AVAILABLE AT POSTS.

5. GAO REPS WERE ALSO ADVISED THAT POSTS HAVE BEEN IN-
STRUCTED TO COOPERATE FULLY WITH OVERSEAS GAO REPS IN
SURVEY, AS REGARDS MAKING REQUESTED APPOINTMENTS, PRO-
VIDING GENERAL BACKGROUND INFORMATION ON VRA, AND PRO-
VIDING NEEDED ADMINISTRATIVE SUPPORT. GAO REPS REPLIED
THAT THERE MAY HAVE BEEN SOME MISUNDERSTANDING AND LACK
OF COMMUNICATION BETWEEN WASHINGTON AND FIELD REPS OF GAO
AND STATE OVER QUESTION OF POST COOPERATION WITH GAO
FIELD AUDITORS, AND THAT THEY FELT THAT OCTOBER 9
MEETING WITH DEPTOFFS AND LEGAL OFFICIALS INVOLVED WITH
STEEL VRA MATTERS SERVED TO CLARIFY SITUATION AND TO SET
FORTH MUTUALLY ACCEPTABLE GROUND RULES FOR SURVEY. KISSINGER

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